

A guide to the Economic Crime Act 2022

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The Economic Crime (Transparency and Enforcement) Act of 2022 (the Act) is a newly enacted legislation to bolster the UK's battle against economic crime.

The Act is similar to the UK's Persons of Significant Control regime ([PSC Regime](#)), which requires the beneficial ownership of UK companies to be publicly listed.

The key aspects of this Act are:

- A dedicated public ownership register for Overseas Entities that have UK real estate
- Enhanced and strengthened Unexplained Wealth Orders (UWO) regime
- Amendments to the UK sanctions legislation

The new provisions will provide transparency and openness to assets such as property. For example, when a solicitor registers ownership of land and property, they must declare who benefits from the land or property and note this on the public record. This transparency would prevent any attempts of illicit finance from being concealed in the UK's property market, and any hidden assets such as mansions, offices and residential towers shall become visible to the public.

What constitutes an Overseas Entity?

Any legal entity governed by the law of a country or territory outside the UK can be considered an overseas entity. An overseas entity is an umbrella term that encompasses companies, partnerships, corporations, sole traders, governments, and public authorities. Trusts would be excluded from this definition as separate

provisions in the Act may lasso trusts and trustees into the regime.

What path does an Overseas Entity need to follow?

Overseas entities must identify their registrable beneficial owners, provide the necessary data about them, and register that data at Companies House. As a minimum requirement, overseas entities must send information notices to all registrable beneficial owners or to any individual who knows a registrable beneficial owner's identity. Any individual who has received an information notice must provide such information within one month, or they may face penalties.

What information is required by an Overseas Entity when applying to register?

As aforementioned, overseas entities are required to register on the Companies House register. An overseas entity would be required to provide and validate multiple confirmatory statements and provide information on the beneficial owner(s) and managing officer(s) (if applicable).

What constitutes a registrable beneficial owner?

A similar test to the 'People with Significant Control regime' establishes beneficial ownership under the Act. Therefore, a registrable beneficial owner could be:

- An individual who directly or indirectly has shares which equate to more than 25% of the shares in an overseas entity
- An individual who directly or indirectly has shares which equate to more than 25% of the voting rights in an overseas entity

- An individual who can rightfully appoint or remove a majority of the board of directors in an overseas entity, directly or indirectly.
- An individual who can rightfully exercise significant influence or control over the overseas entity.

Register of Overseas Entities

Additional to the registration, an annual compliance requirement will be mandated to track changes and notify Companies House if there are any changes to registrable beneficial owners or if there have been no such changes. The thresholds for beneficial ownership mirror the PSC Regime (25% of direct or indirect ownership or significant control of the asset). Companies House will host the public register and will offer retrospective applications.

Key Dates

When this Act comes into force, a six-month transition period has been proposed, allowing overseas entities to list their properties for sale or to register them. All overseas entities are required to register by 31 January 2023.

For England and Wales, the register shall accommodate properties purchased since 1 January 1999, whereas Scotland will accommodate properties purchased since 8 December 2014.

Overseas corporate entities must provide beneficial owner information such as the country of incorporation, registered number, email address and service address. In comparison, overseas individuals must provide information such as their name, date of birth and service address.

Unexplained Wealth Orders (UWOs)

Since their introduction in 2018, UWOs have had a limited impact on the UK. There have been four reported cases in the span of four years. In the case of [National Crime Agency v Baker](#), the High Court discharged UWOs. Purportedly, a seven-figure penalty was imposed on the National Crime Agency (NCA). The amendments to UWOs were actioned to ease the task of Enforcement Authorities and allow them to access information about any properties in question.

Some of the practical changes under UWOs are the appointment of a “specified responsible officer.” Following s.362(a) of the Proceeds of Crime Act ([POCA](#)), the revisions made by the Economic Crime Act shall extend subsections 362A(3) and 362(5) to redirect the requirements of a UWO to a “specified responsible officer” of the respondent, whereby the respondent is not an individual. Such changes to the provisions of UWOs in POCA aim to lessen the challenges faced by Enforcement Authorities and Agencies taking UWOs. For example, Enforcement Authorities will now be able to sidestep the income requirement to obtain a UWO, thus allowing UWOs to become available in complex cases where a UWO would not typically have been provided.

Penalties and Charges

Failure to register or submit fraudulent or falsified information shall warrant a criminal offence, and it will prevent the entity from having the ability to purchase, sell, mortgage, or transact UK property. Therefore, entities who transact or transfer land or properties without registering shall constitute a criminal offence on the entity and all the officers and individuals involved, with each receiving a fine or up to five years imprisonment.

When will the Act come into effect?

Most of the provisions in the Act have yet to come into force, despite the Act receiving Royal Assent. This delay could be due to Companies House developing the register and the land register preparing for this change.

It's complex, so contact head of corporate and commercial [Victoria Holland](#) today.

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Note: This article is not legal advice; it provides information of general interest about current legal issues.

